

MEMORANDUM FOR: Assistant Director, Research and Reports

THRU: Chief, Economic Research Area

THRU: Chief, Planning and Review Staff, ORR

THRU: Chief, Industrial Division, ORR

FROM: Chief, Manufacturing Sectors Branch, D/I

SUBJECT: Proposed Personal Service Contract with [REDACTED]

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1. PROBLEM

To obtain a required research study on the significance of small-scale plants in machinery manufacturing in Communist China.

2. FACTS BEARING ON THE PROBLEM

a. There is no adequate study which assesses the small-scale plants scheme as a means of achieving rapid gains in machinery manufacturing and the problems and limitations connected therewith.

b. The personnel capabilities of the Manufacturing Sectors Branch are being fully utilized in the analysis of classified information on the machine building and light industries of the Sino-Soviet Bloc.

c. [REDACTED]

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[REDACTED] has indicated his willingness to undertake a personal service contract to extend for about six months.

3. DISCUSSION

a. The Manufacturing Sectors Branch requires a study to support current ORR research needs outlined in the terms of reference for NIE 13-59 which called upon the Industrial Division, among other things, to "analyze the technical feasibility of small-scale projects being undertaken." Only a superficial examination of this topic was possible in the time allowed. To do an adequate job it is considered necessary to examine in some degree Chinese experience in the use of small-scale plants and "native-style" (labor-intensive) methods in machinery manufacture before 1949 as well as useful analogies from the experience of Japan and India.

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b. [REDACTED] possesses outstanding qualifications for handling the interrelated technical and economic questions involved in the proposed study. Presently an [REDACTED], he is 25X1A9a to be raised to full Professor as of September 1959. He is also Director of [REDACTED] He holds a Ph.D. in economics from the [REDACTED]

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[REDACTED], and for an article in the [REDACTED] work demonstrates an excellent grasp of the major problems facing the machine building industry. He shows keen awareness of the technical and economic factors pertinent to the development of small-scale machinery plants in the rural areas of Communist China. Because of his language capability and knowledge of prewar economic development, he can draw insights from the experience of the CCP hierarchy during the formative years of the Communist movement which may help to explain or anticipate the regime's approaches to "native-style" manufacturing.

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c. The research to be undertaken by [REDACTED] would be unclassified. However, the results will be classified as appropriate when incorporated into specific internally produced ORR research projects. He would not have access to Agency materials and would not work in Agency buildings. [REDACTED] would do most of this research at [REDACTED], but would require travel funds to exploit Chinese-language materials at Stanford and the Library of Congress. The proposed study is believed to be suitable for publication outside the US Government.

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d. [REDACTED] would be employed full time during the summer and part-time during the fall for the equivalent of about four to six months of full time research. His present annual salary from [REDACTED] is \$7,200 for the academic year, excluding summers. Upon promotion to the rank of Professor, his salary will be increased to about \$8,000 for the academic year. He receives no salary as [REDACTED], although expenses incurred in that capacity are reimbursed by the University. Assuming the higher salary, the proposed study might be undertaken at an estimated cost of \$3270 - 4600, broken down as follows:

25X1A9a [REDACTED] salary (4 to 6 months	
at \$667 per month)	\$2670 - 4000
Assistance	100
Travel and related expenses	500
	<hr/>
	\$3270 - 4600

e. This research would be monitored by Chief, Manufacturing Sectors Branch, ORR.

#### 4. CONCLUSION

Certain requirements of the Manufacturing Sectors Branch, Industrial Division, for research on the significance of small-scale plants in machinery manufacturing in Communist China can be met most effectively and economically by [REDACTED] on a contract basis.

#### 5. ACTION RECOMMENDED

a. That approval be granted for ORR to arrange a four- to six-month Personal Service Contract with [REDACTED] at an estimated cost of


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\$3270 - 4600 for the preparation of the study discussed above.

b. That this contract provide that the contractor may retain proprietary rights to the manuscript and be encouraged to publish same, in whole or in part, through appropriate channels.

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